

Message Text

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PAGE 01 TOKYO 19974 291017Z
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C O N F I D E N T I A L TOKYO 19974

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E.O. 11752: GDS
TAGS: ETRD, JA, US, MTN
SUBJECT: US-JAPAN ECONOMIC TALKS

REF: A) TOKYO 19884; B) TOKYO 19885

1. SUMMARY: LATEST JAPANESE RESPONSE APPEARS MEET BASIC U.S. CONCERNS. WITH SOME POSSIBLE FINAL POLISHING, IT SHOULD PROVIDE GOOD BASIS FOR A SUCCESSFUL STRAUSS VISIT IN JANUARY AND THE CLOSING OUT OF CURRENT PHASE OF WHAT IN ANY CASE MUST BE A CONTINUING PROCESS OF CLOSE U.S.-JAPAN CONSULTATION. END SUMMARY.

2. GOJ PACKAGE TRANSMITTED WITH REFTEL GOES FAR TO MEETING U.S. CONCERNS EXPRESSED OVER RECENT MONTHS. WE HAVE REVIEWED KEY POINTS AND OFFER FOLLOWING COMMENTS ON THEM IN THE ORDER FOLLOWED BY GOJ PAPER TRANSMITTED IN REFTEL. AGRICULTURE QUOTA MEASURES ARE COVERED IN SEPTELS.

3. BOP STATEMENT COVERS BOTH CURRENT ACCOUNT AND GROWTH POLICY. STATEMENT ON GROWTH HAS ALL THE ELEMENTS WE SUGGESTED AND SEEMS SATISFACTORY.
CONFIDENTIAL

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PAGE 02 TOKYO 19974 291017Z

4. WE POINTED OUT TO USHIBA THAT STATEMENT IN PAPER ON ACHIEVING CURRENT ACCOUNT DEFICIT DID NOT APPEAR TO BE AS FORTHCOMING AS U.S. PAPER OF DEC. 20 HAD ENVISIONED. USHIBA DID NOT MAKE DIRECT REPLY BUT MOTONO, WHO WAS NOT PRESENT AT MEETING, CALLED EC MIN AT MIDNIGHT TO ASSURE US

THAT GOJ STATEMENT REPRESENTED MAXIMUM POSSIBLE AT THIS STAGE AND HAD BEEN HARD WON OVER HESITATIONS OF MANY IN GOJ. MOTONO RAISED POSSIBILITY THAT AMB. STRAUSS WOULD BE FREE TO PUT MORE FAVORABLE CAST ON GOJ UNDERTAKINGS IN PUBLIC STATEMENTS HE MIGHT MAKE FOLLOWING VISIT HERE.

5. MUCH OF PARA. 1 OF JAPANESE STATEMENT, READ CAREFULLY, IS CLOSE TO OUR DESIDERATA. IT RECOGNIZES THAT ACCUMULATION OF LARGE SURPLUS IS NOT APPROPRIATE AND THAT JAPAN'S PERSISTENT SURPLUS IS UNDESIRABLE. IT LATER SPELLS OUT WHAT LOOKS TO US LIKE A REASONABLE CURRENT ACCOUNT PROJECTION FOR 1978 AND 1979 INSOFAR AS RESULTS ARE SUSCEPTIBLE TO POLICY MANAGEMENT. GIVEN GOJ'S BY NOW UNDERSTANDABLE RELUCTANCE TO HAVE ITS PROJECTIONS PORTRAYED AS COMMITMENTS, IT WILL BE HARD TO GET LANGUAGE THAT SMACKS MORE OF A POLICY COMMITMENT TO REACH A DEFICIT. HOWEVER, SENTENCE, THAT READS "IF CURRENT ACCOUNT DEFICIT OCCURS IN SUCH A PROCESS, GOJ IS PREPARED TO ACCEPT IT," IS PARTICULARLY UNFELICITOUS. WE WOULD HOPE A WASHINGTON WORDSMITH COULD FIND A MORE SATISFACTORY FORMULATION.

6. REGARDING TARIFFS AND MTN, WHEN WE ASKED
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TOKYO 19974 291017Z

USHIBA ABOUT POSSIBLE USE OF WORDS "DEEPER THAN FORMULA CUTS," HE REFERRED TO LAST SENTENCE IN PARA. 3 WHICH HE SAID IS RESPONSIVE TO U.S. CONCERNS. WE BELIEVE JAPANESE BUREAUCRACY IS ALSO STILL WORKING ALONG LINES DISCUSSED WITH LANDE AND THAT SOME FURTHER PRIVATE STATEMENT MAY BE FORTHCOMING.

7. PARA. 5 OF JAPANESE PAPER ON IMPORT FINANCING CAN BE DESCRIBED AS INDICATION OF POSITIVE JAPANESE REACTION TO WORLD SITUATION. SINCE WE ARE NOT AWARE OF ANY COMPLAINTS THAT EXPORTS TO JAPAN ARE BEING HAMPERED BY SHORTAGE OF CREDIT, THERE IS NOT MUCH WE CAN ASK.

8. GOVERNMENT PROCUREMENT STATEMENT IS PROBABLY ALSO AS MUCH AS WE CAN EXPECT. ANNOUNCEMENT OF JNR AWARD TO IBM WITH SUBSTANTIAL U.S. INPUT IS HOPEFUL SIGN THAT CABINET DECISION WILL PRODUCE TANGIBLE RESULTS.

9. EXPORT CREDIT PARAGRAPH DOES NOT SAY MUCH

BUT CAN BE DESCRIBED AS HELPFUL RECOGNITION OF JAPAN'S NEED TO SLOW RATE OF INCREASE IN EXPORT CREDITS.

10. ON NON-TARIFF MEASURES, PAPER SAYS THE RIGHT THINGS ABOUT RECENT POSITIVE ACTIONS, RENEWS PLEDGE TO MAKE TRADE FACILITATION COMMITTEE WORK AND TO COOPERATE ON CODE IN MTNS.

11. ON LOGS AND LUMBER, GOJ HAS PICKED UP OUR SUGGESTION OF SPECIAL STUDY GROUP.

12. ON AID, REPLY SOUNDS GENERALLY RESPONSIVE WITHIN CONSTRAINTS OF THE POSSIBLE.
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PAGE 04 TOKYO 19974 291017Z

13. CONCLUSION TAKES THE HEALTHY UP-BEAT TONE WE SHOULD ENCOURAGE, SETS PROPER TONE FOR A STRAUSS VISIT AND LOOKS TO CONTINUATION OF ESSENTIAL CLOSE CONSULTATIONS.

14. WE THINK TIME HAS ARRIVED TO CLOSE OFF THIS SET OF DISCUSSIONS, TO SCHEDULE STRAUSS VISIT AND START WORK ON THE PAPERS NEEDED FOR IT. DESPITE JAPANESE HOLIDAYS, THERE IS TIME FOR A FEW CLARIFICATIONS.

15. WE HAVE THOUGHT WE SHOULD PLAN A JOINT STATEMENT TO BE ISSUED PROBABLY BY STRAUSS AND USHIBA AT CONCLUSION STRAUSS VISIT PLUS AN UP-BEAT AIRPORT DEPARTURE STATEMENT. IN ADDITION WE SHOULD COLLABORATE ON AN AGREED CLASSIFIED CHECK LIST THAT RECAPITULATES VARIOUS JAPANESE UNDERTAKINGS OVER RECENT MONTHS. IN ALL THIS WE SHOULD RECOGNIZE THAT WE HAVE SOME FLEXIBILITY ABOUT SAYING SOMEWHAT MORE AT HOME THAN WE OR THE JAPANESE CAN IN JAPAN. FURTHER, JAPANESE OFFICIALS AND AMB. STRAUSS CAN EXCHANGE UNPUBLISHED ASSURANCES ON OTHER ITEMS.
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